

Economic Indicators

How do we measure economic growth?



Donald J. Trump ✓

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The economy is bad and getting worse-
almost ZERO growth this quarter. Nobody can
beat me on the economy (and jobs). MAKE
AMERICA GREAT AGAIN

10:21 AM - 30 Apr 2016

7,888 Retweets 21,390 Likes





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Highest Stock Market EVER, best economic numbers in years, unemployment lowest in 17 years, wages raising, border secure, S.C.: No WH chaos!

7:28 AM - Jul 31, 2017

54,014 30,376 125,146



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"Corporations have NEVER made as much money as they are making now." Thank you Stuart Varney @foxandfriends Jobs are starting to roar,watch!

8:03 AM - Aug 1, 2017

23,471 16,856 78,806



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Stock Market could hit all-time high (again) 22,000 today. Was 18,000 only 6 months ago on Election Day. Mainstream media seldom mentions!

7:49 AM - Aug 1, 2017

25,286 23,197 106,031



Learning Target

Identify the major economic indicators and explain how they are used to measure the health of the economy.

What are the most common Economic Indicators?

The Consumer Price Index (CPI)

Gross National Product (GNP)

Gross Domestic Product (GDP)

Unemployment rates

Stock Market (various indexes)

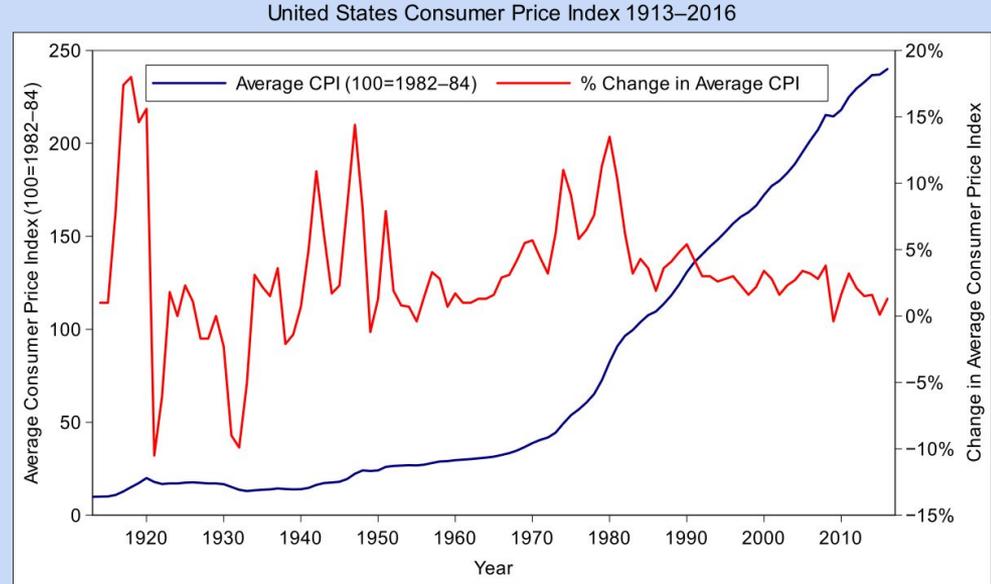


CPI-The Consumer Price Index

What is it? A monthly index of consumer prices that measures “cost of living”.

A market basket of 300 goods and services.

The Bureau of Labor and Statistics calls 21,000 stores nationwide to track this.



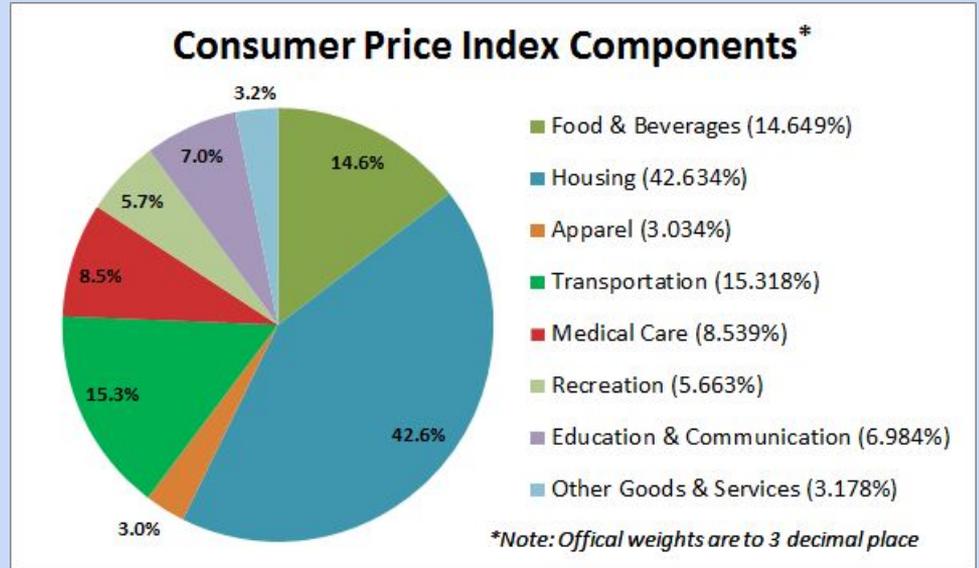
CPI Continued

What do we use it for?

We track inflation.

If the prices on those 300 goods go up: Inflation
If they drop: deflation

This can be used for “Cost of living adjustments,” but mainly just give us a snapshot of how expensive it is to live in America.



Source: BLS; The most recent reweighting was in December 2016.

Issues with CPI

Doesn't account for coupons or sales.

Doesn't account for new technology.

Doesn't account for trends/fads.

Changes slowly over time, but won't account for sudden changes.

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<p>\$3.99</p> <p>2 WHOPPER JR.® SANDWICHES 2 SMALL FRENCH FRIES</p>  <p><small>Limit one per customer. Not to be used with any other coupons or offers. Void where prohibited. Sales tax applicable. Cash value 1/100¢. This offer may not be available in all BURGER KING® restaurants, and participation may vary by restaurant. Offer valid in US only, excluding Alaska and Hawaii. TM & © 2012 Burger King Corporation. All Rights Reserved. Offer expires on 11/04/12.</small></p> 	<p>\$4.99</p> <p>2 ORIGINAL CHICKEN SANDWICHES 2 SMALL FRENCH FRIES</p>  <p><small>Not valid on specialty versions Limit one per customer. Not to be used with any other coupons or offers. Void where prohibited. Sales tax applicable. Cash value 1/100¢. This offer may not be available in all BURGER KING® restaurants, and participation may vary by restaurant. Offer valid in US only, excluding Alaska and Hawaii. TM & © 2012 Burger King Corporation. All Rights Reserved. Offer expires on 11/04/12.</small></p> 
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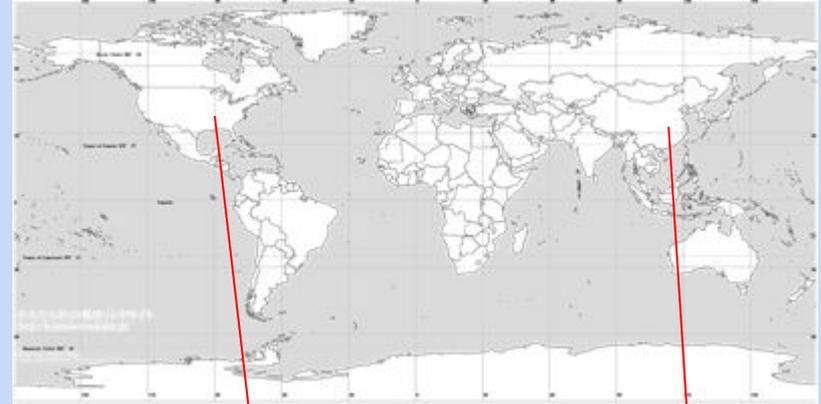
Gross National Product

• Total output produced by US

- Land
- Labor
- Capital
- Talent

REGARDLESS of whether these things are actually in the US or not.

(GNP accounts then for US citizens working in France or corporations manufacturing in Guatemala.)



Products made in US by a Japanese Company don't count

Products made in China by an American company would.

GNP Continued

- What if I make the steel for the car but don't make the car?...do we get credit?...no
- Product is factored into GNP only as **final goods** or services...this way things don't get double or triple counted.

Example—cotton shirt at Buffalo Bobs

- Shirt is puff of cotton in farmers field
- Harvested with other puffs and sold to wholesaler
- Wholesaler bundles a bunch of cotton and sells it to a textile mill
- Mills turns it into cloth and sells to garment manufacturer
- Sells it to Buffalo Bobs. (Only this step counts!)

So... How do we measure GNP?

Product Approach

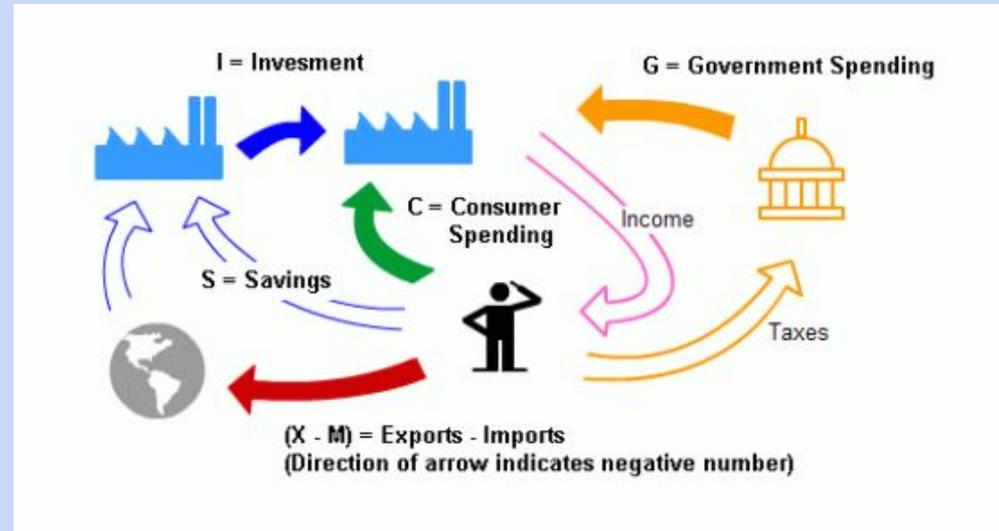
-Add the market value of all goods and services produced over a period of time.

Expenditure Approach

-Calculate total spending over a period of time

Income Approach

-Calculate total income over a period of time.



Gross Domestic Product (GDP)

- Total output produced within the boundaries of the US whether or not it is produced in by US labor, capital, and talent.
- U.S. made cars of Toyota, which itself is a foreign company...counts!



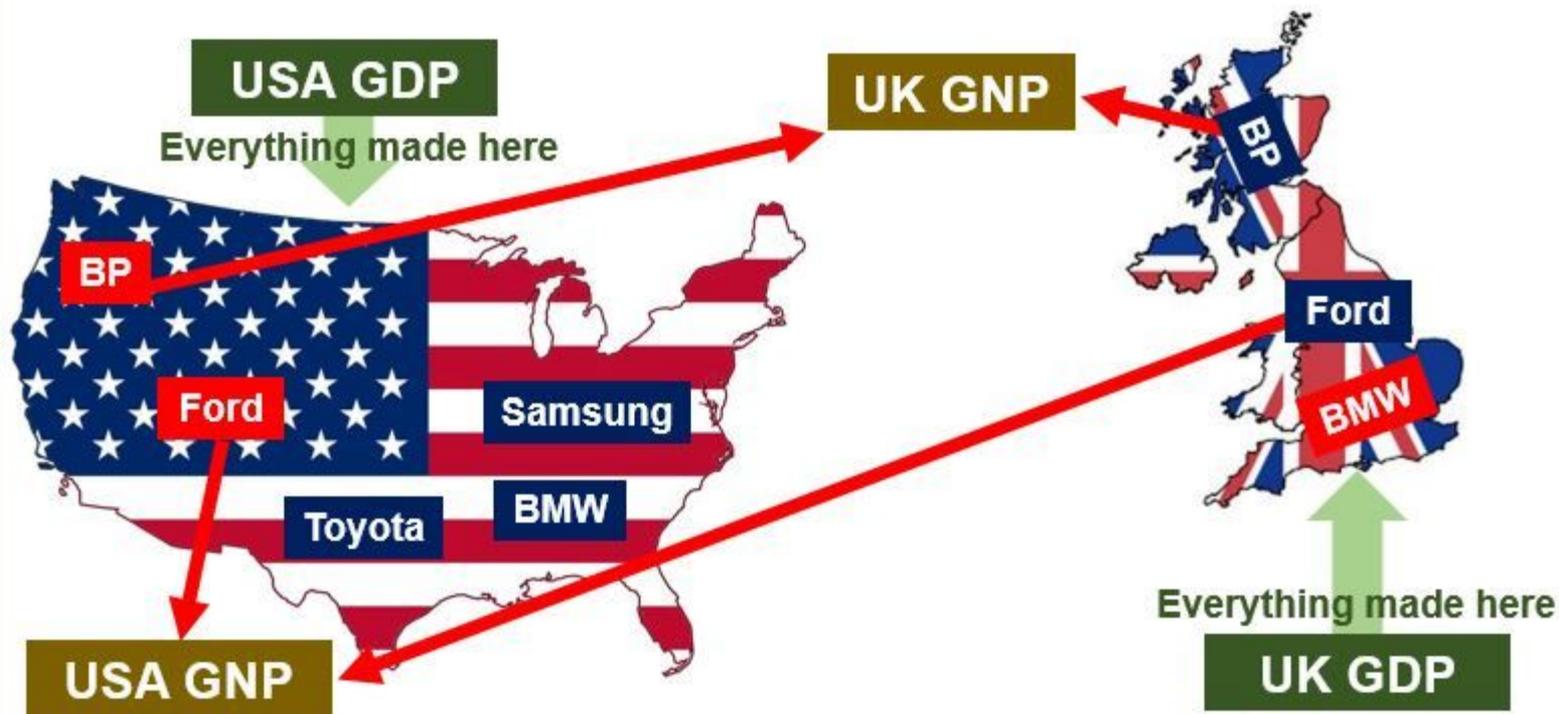
How is GDP Different from GNP?

- Consumption expenditures—**final** goods
- Public Goods (Gov't purchases) **can account for as much as 20% of GDP**
- Defense, education and roads
- Gross private domestic investments—purchases made by businesses..ie offices, factories, inventory, computers, car, etc.
- Net exports

GDP vs. GNP

- **Gross Domestic Product (GDP)** is the total value of final goods and services produced during a given period **within the geographic boundaries of a country regardless of by whom**. The goods and services are produced domestically.
- **Gross National Product (GNP)** is the total value of final goods and services produced during a given period by the **citizens of a country no matter where they live**. The goods and services are produced by the “nationals” of the country.

GNP versus GDP



How do we show GDP/GNP?

Nominal-

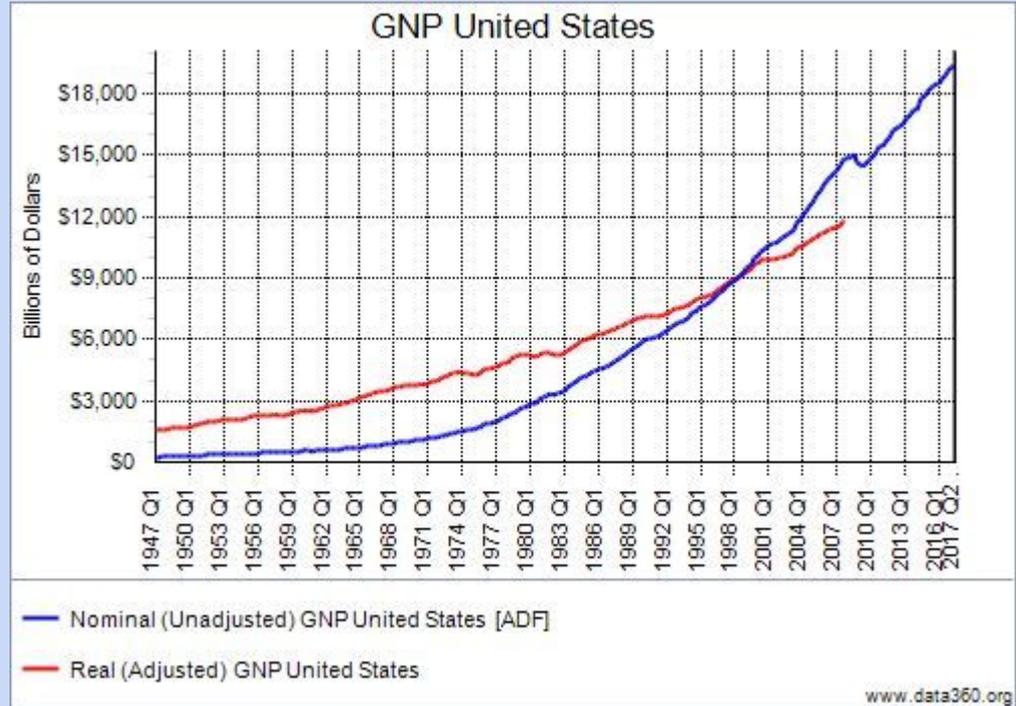
-Just the straight-up dollar amount

Real-

-Adjusted for inflation

Per Capita-

-Divided by population



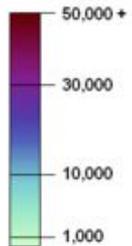
How is this useful?

- It can gauge the health of the current economy
- It also allows us to compare GDP trends of the past with current GDP and make predictions about the future of the economy.

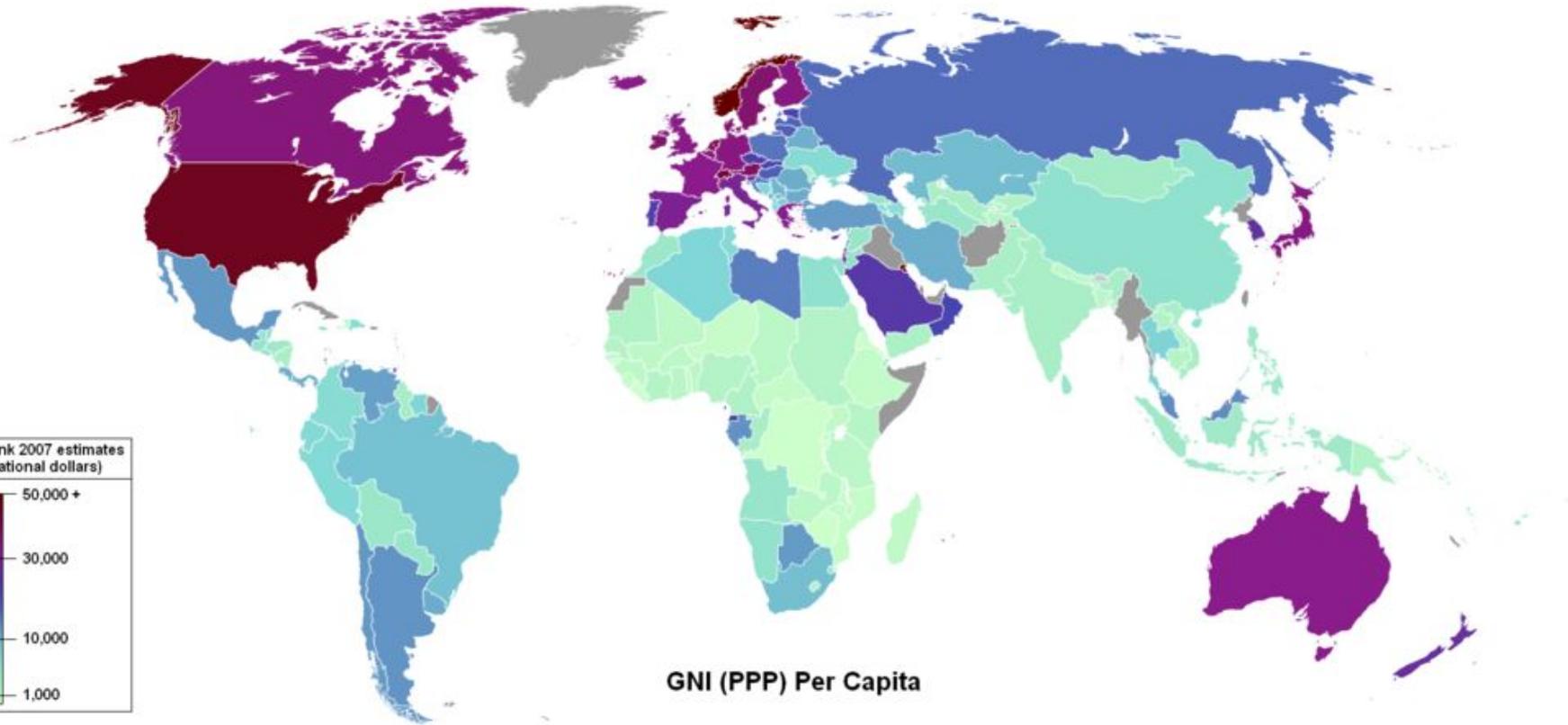
It also allows us to compare one country to another.

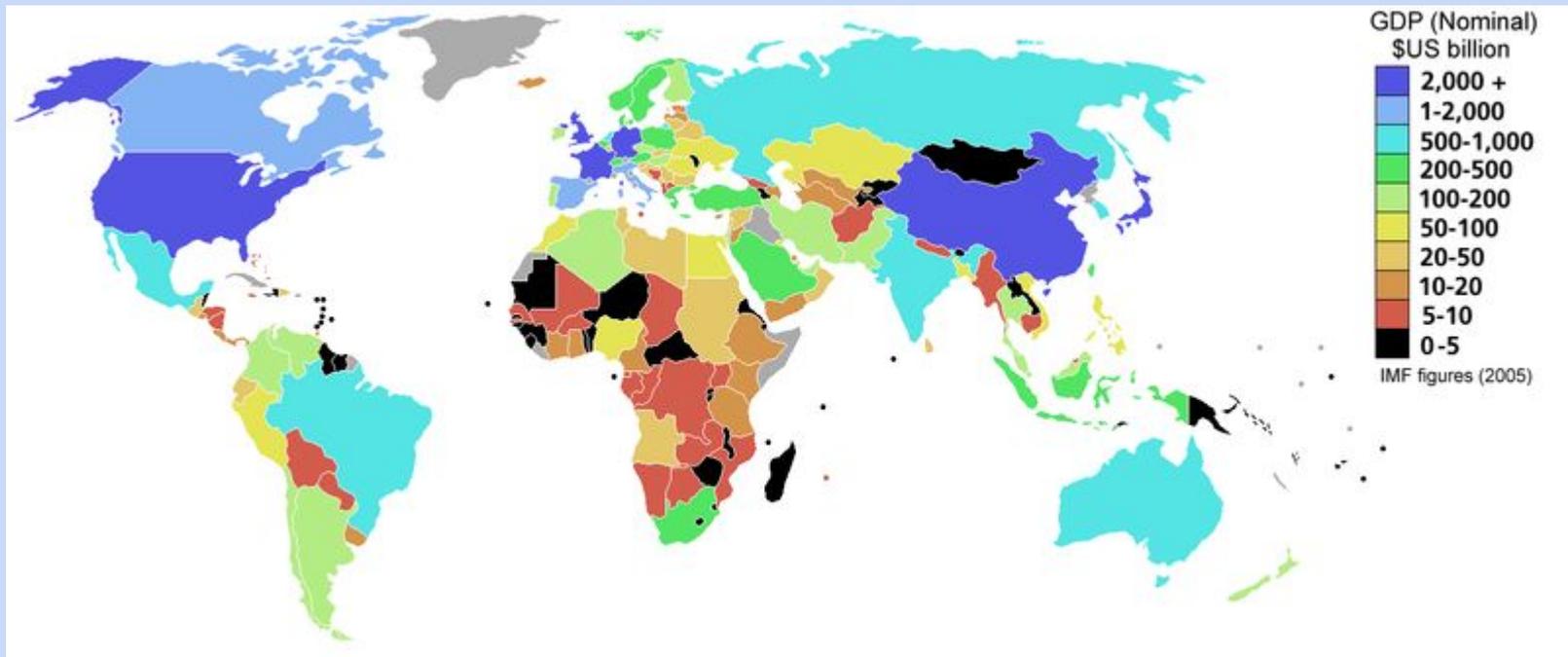


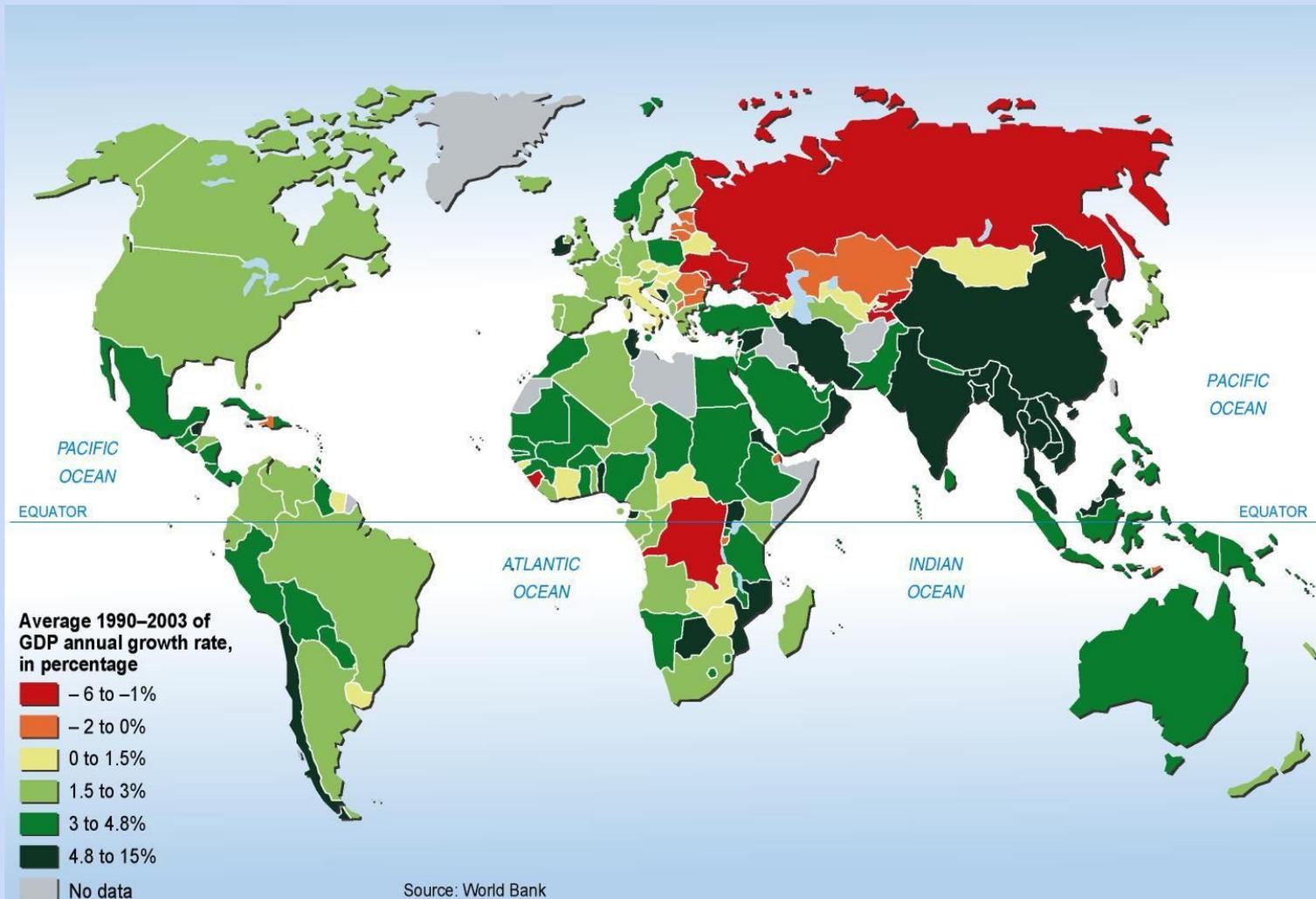
World Bank 2007 estimates
(International dollars)



GNI (PPP) Per Capita







Stock Market Indexes

The Dow Jones Industrial Average

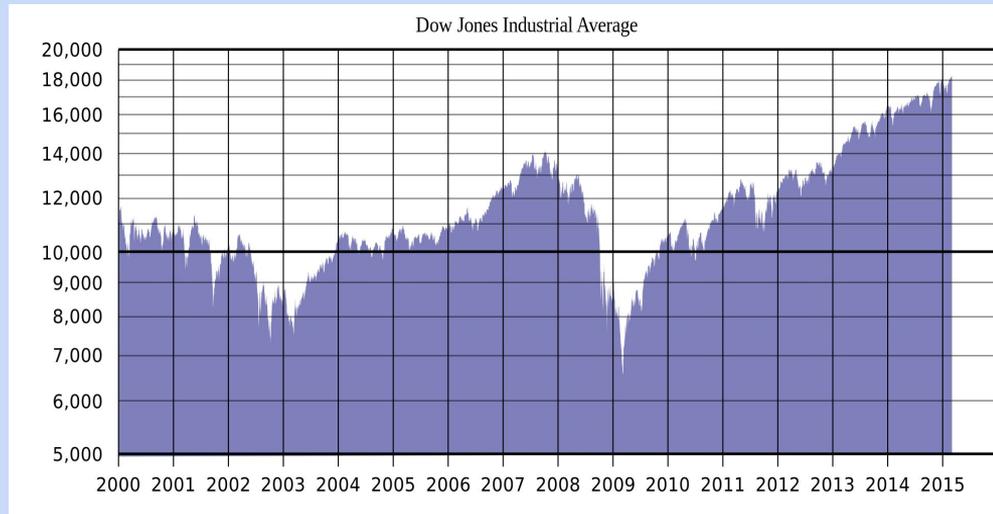
–Average of 30 large “industrial” American firms.

The NASDAQ

–3,000 firms, mostly technology, not exclusively American.

The S&P 500

–The 500 biggest American firms, any product.



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